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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
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12 TRANSPORT TECHNOLOGIES,)
13 LLC,)

14 Plaintiff,)

15 v.)

16)
17 LOS ANGELES COUNTY)
18 METROPOLITAN TRANSPORTATION)
19 AUTHORITY,)

20 Defendant.)
21)
22)

CV 15-6423-RSWL-MRWx

ORDER re:

Defendant's Motion for
Judgment on the
Pleadings [50];

Defendant's Motion to
Stay [52]; and

Defendant's Motion for
Leave to File Amended
Answer [61]

22 Currently before the Court are three Motions by
23 Defendant Los Angeles County Metropolitan
24 Transportation Authority's ("Defendant"): (1) Motion
25 for Judgment on the Pleadings under Federal Rule of
26 Civil Procedure 12(c) [50] ("Motion for Judgment on the
27 Pleadings"); (2) Motion to Stay [52] the case pending
28 the outcome of an *inter partes* review ("IPR")

proceeding that Defendant filed with the United States Patent and Trademark Office ("PTO"), challenging all asserted claims of the patent-in-suit ("Motion to Stay"); and (3) Motion for Leave to File Amended Answer [61] ("Motion to File Amended Answer").

Having reviewed all papers submitted pertaining to these Motions, the Court **NOW FINDS AND RULES AS**

FOLLOWS:

(1) The Court **DENIES** the Motion for Judgment on the Pleadings [50] **WITHOUT PREJUDICE**;

(2) The Court **GRANTS** the Motion to Stay [52], and **STAYS** the proceedings pending the Patent Trial and Appeal Board's ("PTAB") determination in IPR; and

(3) The Court **VACATES WITHOUT PREJUDICE** the Motion to File Amended Answer [61]. Defendant may renew its Motion to File Amended Answer if necessary.

I. BACKGROUND

A. Factual Background

Plaintiff Transport Technologies, LLC ("Plaintiff") is a California limited liability company which owns the '101 Patent, entitled "Motor Vehicle Occupancy Signaling System." Compl. ¶¶ 5-6, ECF No. 1. The '101 Patent's abstract describes the invention as follows:

A system that allows a claim by a registrant as to the number of occupants traveling in a vehicle over a section of highway with a high

1 occupancy vehicle incentive program in place to
2 be transmitted. The registrant is identified
3 by a registrant identifier. The claim about
4 occupancy is optionally visually displayed as
5 the vehicle traverses the highway. The
6 identification of the registrant making the
7 claim is captured by a plurality of reading
8 devices along the highway and transferred to a
9 central processing system. That system
10 determines if a qualified ride-sharing event
11 has occurred, and if so it will then provide
12 for distribution of the program incentives to
13 the registered individual(s).

14 Id. at Abstract.

15 Defendant is the public transportation agency for
16 the County of Los Angeles. Id. at ¶ 2. Defendant
17 operates high occupancy/toll lanes on the I-110 and I-
18 10 freeways known as "ExpressLanes." Id. at ¶ 7.
19 Drivers wishing to use the ExpressLanes are required to
20 carry a "FasTrak" transponder in their cars. Id. The
21 FasTrak transponder includes a switch that may be set
22 to indicate that a car contains 1, 2, or 3 or more
23 passengers. Id. At various points on the
24 ExpressLanes, Defendant controls and operates a series
25 of wireless readers and communications infrastructure
26 that communicates with FasTrak transponders to receive
27 claims about car occupancy, and transfers that
28 information to Defendant's data processing facilities.

1 Id. at ¶ 8. Defendant uses the information it receives
2 to charge drivers for their use of the ExpressLanes.

3 Id.

4 Plaintiff alleges that Defendant's operation of the
5 ExpressLanes infringes claims 1, 3, 5, 6, 8, and 10 of
6 the '101 Patent. Id. at ¶ 11.

7 In the Motion for Judgment on the Pleadings,
8 Defendant argues that the claims at issue are directed
9 to patent-ineligible subject matter under 35 U.S.C. §
10 101.

11 Method claim 6 of the '101 Patent recites:

12 A method of receiving claimed vehicle
13 occupancy data about a vehicle by a
14 registrant, and also identifying the
15 registrant as the vehicle traverses a
16 designated section of highway, said method
17 comprising the steps of:

18 transmitting the number of occupants
19 in a vehicle claimed by a registrant;
20 transmitting a signal from the vehicle
21 that identifies the registrant;
22 and then receiving the claim by a
23 registrant as to number of occupants
24 in a vehicle and reading the signal
25 from the vehicle that identifies the
26 registrant as the vehicle transits the
27 designated section of highway.

28 Method claim 8 of the '101 Patent recites:

1 The method of claim 6 further comprising
2 the transmission of number of occupants
3 claimed by a registrant by a transponder
4 that transmits a signal both identifying
5 the registrant and the number of occupants
6 claimed by that registrant.

7 Method claim 10 of the '101 Patent recites:

8 The method of claim 8 further comprising a
9 visual display of the claimed number of
10 occupants, which display can be seen by an
11 enforcement officer outside the vehicle as
12 it traverses the highway.

13 Defendant characterizes the method claims 6, 8,
14 and 10 as representative of the system claims 1, 3,
15 and 5 because the claims "contain only minor
16 differences in terminology but require performance
17 of the same basic process." Mot. J. Pleadings
18 19:18-21, ECF No. 50 (citation and internal
19 quotation marks omitted).

20 System claim 1 of the '101 Patent recites:

21 A vehicle occupancy monitoring system
22 wherein a claim is made by a registrant
23 about the number of occupants in a vehicle
24 as it traverses a designated section of
25 highway:

26 a transmitter that transmits a claim
27 as to the number of occupants in the
28 vehicle;

1 a sending transponder in the vehicle
2 that transmits a code that uniquely
3 identifies the registrant with the
4 program administrator;
5 a reading data collector that can
6 interrogate a vehicle within its
7 range, and receive, store and transfer
8 to a central processing facility said
9 transmitted code identifying the
10 registrant along with a time/date
11 stamp.

12 System claim 3 of the '101 Patent recites:

13 The vehicle occupancy monitoring system of
14 claim 1 wherein said sending transponder
15 also transmits the claimed number of
16 vehicle occupants.

17 System claim 5 of the '101 Patent recites:

18 The vehicle occupancy monitoring system of
19 claim 3 further comprising:

20 a visual display of the number of
21 claimed occupants that can be seen by
22 an enforcement officer outside the
23 vehicle as it traverses the highway.

24 **B. Procedural Background**

25 On August 21, 2015, Plaintiff filed its Complaint
26 [1] for patent infringement against Defendant.
27 Defendant filed an Answer [12] to the Complaint on
28 October 22, 2015.

1 On January 20, 2016, the case was referred to the
2 ADR Program for mediation [35], but the parties were
3 unable to reach an agreement through mediation [51].

4 On May 20, 2016, Defendant filed a petition for IPR
5 with the PTO asserting invalidity grounds under 35
6 U.S.C. §§ 102 and 103 against the patent-in-suit. See
7 Decl. of Phillip J. Lee ("Lee Decl."), Ex. A, Def.'s
8 IPR Petition as to '101 Patent, ECF No. 50-3. That
9 same day, Defendant filed its Motion for Judgment on
10 the Pleadings [50].

11 On May 24, 2016, Defendant filed its Motion to Stay
12 [52] the case pending the outcome of IPR before the PTO
13 and/or pending this Court's resolution of Defendant's
14 Motion for Judgment on the Pleadings.

15 On June 7, 2016, Plaintiff opposed both Motions
16 [56, 57]. On June 14, 2016, Defendant timely filed its
17 Replies [58, 59]. The motions were taken under
18 submission on June 24, 2016 [60].

19 On July 12, 2016, Defendant filed the Motion to
20 File Amended Answer [61]. Plaintiff filed a Non-
21 Opposition [64] to the Motion to File Amended Answer
22 July 20, 2016.

23 II. DISCUSSION

24 A. Legal Standards

25 1. Motion for Judgment on the Pleadings

26 Federal Rule of Civil Procedure 12(c) states that
27 "[a]fter the pleadings are closed—but early enough not
28 to delay trial—a party may move for judgment on the

1 pleadings." Fed. R. Civ. P. 12(c). Judgment on the
2 pleadings is appropriate when, taking all the
3 allegations in the non-moving party's pleadings as
4 true, the moving party is entitled to judgment as a
5 matter of law. Ventress v. Japan Airlines, 486 F.3d
6 1111, 1114 (9th Cir. 2007); Honey v. Distelrath, 195
7 F.3d 531, 532 (9th Cir. 1999). When ruling on a motion
8 for judgment on the pleadings, a court may consider the
9 pleadings, documents attached to the pleadings,
10 documents incorporated by reference in the pleadings,
11 and matters of judicial notice. United States v.
12 Ritchie, 342 F.3d 903, 907-08 (9th Cir. 2003). The
13 allegations of the nonmoving party must be accepted as
14 true, while any allegations made by the moving party
15 that have been denied or contradicted are assumed to be
16 false. See MacDonald v. Grace Church Seattle, 457 F.3d
17 1079, 1081 (9th Cir. 2006); Hal Roach Studios v.
18 Richard Feiner & Co., Inc., 896 F.2d 1542, 1550 (9th
19 Cir. 1989). The facts are viewed in the light most
20 favorable to the non-moving party and all reasonable
21 inferences are drawn in favor of that party. See
22 Living Designs, Inc. v. E.I. DuPont de Nemours & Co.,
23 431 F.3d 353, 360 (9th Cir. 2005); Turner v. Cook, 362
24 F.3d 1219, 1225 (9th Cir. 2004). "[J]udgment on the
25 pleadings is improper when the district court goes
26 beyond the pleadings to resolve an issue; such a
27 proceeding must properly be treated as a motion for
28 summary judgment." Hal Roach Studios, 896 F.2d at

1 1550.

2 2. Stay Pending Inter Partes Review

3 "Courts have inherent power to manage their dockets
4 and stay proceedings, including the authority to order
5 a stay pending conclusion of a PTO [IPR]." Ethicon,
6 Inc. v. Quigg, 849 F. 2d 1422, 1426-27 (Fed. Cir. 1988)
7 (citations omitted). Although the district court is
8 not required to stay judicial proceedings pending IPR,
9 "there is a liberal policy in favor of granting motions
10 to stay proceedings pending the outcome of [IPR],
11 especially in cases that are still in the initial
12 stages of litigation and where there has been little or
13 no discovery." Aten Int'l Co. v. Emine Tech. Co., No.
14 SACV 09-0843 AG (MLGx), 2010 WL 1462110, at *6 (C.D.
15 Cal. Apr. 12, 2010) (quoting Nanometrics, Inc. v Nova
16 Measuring Instruments, Ltd., No. C 06-2252 SBA, 2007 WL
17 627920, at *1 (N.D. Cal. Feb. 26, 2007)); but see Aylus
18 Networks, Inc. v. Apple, Inc., No. C-13-4700 EMC, 2014
19 WL 5809053, at *1 (N.D. Cal. Nov. 6, 2014) ("[A] Court
20 is under no obligation to delay its own proceedings
21 where parallel litigation is pending before PTAB" and
22 "courts . . . have denied stay requests when the PTAB
23 has not yet acted on the petition for review"
24 (citations omitted)).

25 Three factors are significant in analyzing whether
26 to stay proceedings pending IPR: "(1) whether discovery
27 is complete and whether a trial date has been set; (2)
28 whether a stay will simplify the issues in question and

1 trial of the case; and (3) whether a stay would unduly
2 prejudice or present a clear tactical disadvantage to
3 the nonmoving party." Universal Elecs., 943 F. Supp.
4 2d at 1030-31 (quoting Aten, 2010 WL 1462110, at *6).
5 The district court's inquiry is not limited to these
6 factors. Rather, "the totality of the circumstances
7 governs." Id. (quoting Allergan Inc. v. Cayman Chem.
8 Co., No. SACV 07-01316 JVS (RNBx), 2009 WL 8591844, at
9 *2 (C.D. Cal. Apr. 9, 2009)).

10 The party moving for a stay bears the burden to
11 persuade the court that a stay is appropriate.
12 Netlist, Inc. v. Smart Storage Sys., Inc., No. 13-cv-
13 5889-YGR, 2014 WL 4145412, at *1 (N.D. Cal. Aug. 21,
14 2014).

15 **B. Patent Eligibility Under 35 U.S.C. § 101**

16 1. Patent Eligibility Under Mayo and Alice

17 Section 101 of the Patent Act provides that a
18 patent may be obtained for "any new and useful process,
19 machine, manufacture, or composition of matter, or any
20 new and useful improvement thereof." 35 U.S.C. § 101.
21 The Supreme Court has "long held that this provision
22 contains an important implicit exception: laws of
23 nature, natural phenomena, and abstract ideas are not
24 patentable." Alice Corp. Pty. v. CLS Bank, Int'l, 134
25 S. Ct. 2347, 2354 (2014). "The concern that drives
26 this exclusionary principle" is "one of preemption."
27 Id. In other words, the concern is "that patent law
28 not inhibit further discovery by improperly tying up

1 the future use of' these building blocks of human
2 ingenuity." Id. (quoting Mayo Collaborative Servs. v.
3 Prometheus Labs, Inc., 132 S. Ct. 1289, 1301 (2012)).
4 Alice warns courts, however, to "tread carefully in
5 construing this exclusionary principle lest it swallow
6 all of patent law," because "[a]t some level, 'all
7 inventions . . . embody, use, reflect, rest upon, or
8 apply laws of nature, natural phenomena, or abstract
9 ideas.'" Id. (quoting Mayo, 132 S. Ct. at 1293).

10 Under the two-step framework established in Alice
11 and Mayo, the court first asks "whether the claims at
12 issue are directed to one of those patent-ineligible
13 concepts," as opposed to "patent eligible applications
14 of those concepts." Id. at 2354-55. If so, the court
15 then "consider[s] the elements of each claim both
16 individually and 'as an ordered combination' to
17 determine whether the additional elements 'transform
18 the nature of the claim' into a patent-eligible
19 application." Id. at 2355 (quoting Mayo, 132 S. Ct. at
20 1298, 1297. In this second step, the court looks for
21 an "inventive concept," or "an element or combination
22 of elements that is 'sufficient to ensure that the
23 patent in practice amounts to significantly more than a
24 patent upon the [ineligible concept] itself.'" Id.
25 (quoting Mayo, 132 S. Ct. at 1294).

26 This standard is easier to articulate than it is to
27 apply. Modern Telecom Sys. LLC v. Earthlink, Inc., No.
28 SA CV 14-0347-DOC, 2015 WL 1239992, at *6 (C.D. Cal.

1 Mar. 17, 2015). "The line between a patentable
2 'process' and an unpatentable 'principle' is not always
3 clear," Parker v. Flook, 437 U.S. 584, 589 (1978), and
4 the Federal Circuit has referred to § 101 jurisprudence
5 as a "murky morass." MySpace, Inc. v. GraphOn Corp.,
6 672 F.3d 1250, 1259 (Fed. Cir. 2012) (suggesting, in
7 dicta, that "courts could avoid the swamp of verbiage
8 that is § 101" by addressing patentability defenses
9 under §§ 102, 103, and 112 before addressing patent
10 eligibility under § 101).

11 2. Ripeness of Deciding Patent Eligibility

12 Patent eligibility under § 101 is a question of law
13 that may, in appropriate cases, be decided on the
14 pleadings without the benefit of a claim construction
15 hearing. See Content Extraction & Transmission LLC v.
16 Wells Fargo Bank, N.A., 776 F.3d 1343, 1349 (Fed. Cir.
17 2014) (affirming district court's grant of a motion to
18 dismiss based on § 101 without having a claim
19 construction hearing); Ultramercial, Inc. v. Hulu, LLC,
20 772 F.3d 709, 711 (Fed. Cir. 2014) (same); Bancorp
21 Servs., LLC v. Sun Life Assur. Co. of Canada (U.S.),
22 687 F.3d 1266, 1273 (Fed. Cir. 2012) ("[C]laim
23 construction is not an inviolable prerequisite to a
24 validity determination under § 101."). However, "it
25 will ordinarily be desirable - and often necessary - to
26 resolve claim construction disputes prior to a § 101
27 analysis, for the determination of patent eligibility
28 requires a full understanding of the basic character of

1 the claimed subject matter." Bancorp Servs., 687 F.3d
2 at 1273-74.

3 3. Defendant's Burden to Show Patent Ineligibility

4 The parties dispute Defendant's burden in
5 connection with the Motion for Judgment on the
6 Pleadings. Plaintiff argues that its '101 Patent is
7 presumed valid and Defendant bears the burden of
8 proving by clear and convincing evidence that the '101
9 Patent claims patent-ineligible subject matter. Opp'n
10 to Mot. J. Pleadings 6:1-3, ECF No. 57.

11 Defendant argues that the clear and convincing
12 evidence standard does not apply to patent-eligibility
13 challenges under § 101 because patent-eligibility is a
14 question of law that does not require proof by clear
15 and convincing evidence. Mot. J. Pleadings 7:3-11.

16 The Court agrees with Defendant that the clear and
17 convincing standard is not necessarily applicable in
18 the context of determining patent-eligibility under §
19 101, which is a question of law. Modern Telecom, 2015
20 WL 1239992, at *7 (citing CyberSource Corp. v. Retail
21 Decisions, Inc., 654 F.3d 1366, 1369 (Fed. Cir. 2011)).

22 Particularly after Alice, courts have frequently
23 decided patent eligibility on the pleadings. Id.
24 Because, ordinarily, no evidence outside the pleadings
25 is considered in resolving a motion for judgment on the
26 pleadings, it makes little sense to apply a "clear and
27 convincing evidence" standard - a burden of proof - to
28 such motions. Id.

1 Even though Defendant need not establish patent-
2 ineligibility under the heightened clear and convincing
3 evidence standard, Defendant still bears the burden of
4 proof. Moreover, in applying § 101 jurisprudence at
5 the pleading stage, the Court construes the claims of
6 the '101 Patent in a manner most favorable to
7 Plaintiff. See Content Extraction, 776 F.3d at 1348-
8 49.

9 **C. Discussion**

10 1. Motion for Judgment on the Pleadings

11 a. *Step One of the Alice/Mayo Inquiry*

12 Under the first step of the Alice/Mayo inquiry, the
13 Court must determine whether the patent claims at issue
14 are directed to an abstract idea.

15 When considering whether a claim is directed to an
16 abstract idea, courts "compare the claims at issue to
17 those already found to be directed to an abstract idea
18 in previous cases." Enfish, LLC v. Microsoft Corp.,
19 No. 2015-1244, 2016 WL 2756255, at *4 (Fed. Cir. May
20 12, 2016). For example, the claims in Alice were
21 directed to the abstract idea of "intermediated
22 settlement," "i.e., the use of a third party to
23 mitigate settlement risk," and "simply instruct[ed] the
24 practitioner to implement the abstract idea . . . on a
25 generic computer." Alice, 134 S. Ct. at 2356, 2359.
26 In Ultramercial, Inc. v. Hulu, LLC, 772 F.3d 709, 715
27 (Fed. Cir. 2014), the claims were directed to the
28 abstract idea of "using advertisement as an exchange or

1 currency." In buySAFE, Inc. v. Google, Inc., 765 F.3d
2 1350, 1355 (Fed. Cir. 2014), the claims simply invoked
3 a generic computer to implement the abstract concept of
4 "creating a contractual relationship - a 'transaction
5 performance guaranty' - that is beyond question of
6 ancient lineage." In Content Extraction and
7 Transmission LLC v. Wells Fargo Bank, N.A., 776 F.3d
8 1343, 1347 (Fed. Cir. 2014), the claims were "drawn to
9 the abstract idea of 1) collecting data, 2) recognizing
10 certain data within the collected data set, and 3)
11 storing that recognized data in memory." Lastly, in
12 Concaten, Inc. v. AmeriTrak Fleet Solutions, LLC, 131
13 F. Supp. 3d 1166, 1172 (D. Colo. 2015), the patent-in-
14 suit was directed to the abstract idea of collecting
15 information from a vehicle and transmitting that
16 information over a network.

17 Here, the representative system claims of the '101
18 Patent describe a system that communicates vehicle
19 occupancy information to a central processing facility.
20 The method claims recite a method for communicating
21 occupancy information, the identity of the registrant
22 transmitting the occupancy information, and information
23 about when the information was transmitted to a central
24 processing facility. These claims are conceptual in
25 nature. Much like the claims at issue in Concaten, the
26 claims of the '101 Patent are drawn to the basic
27 concept of collecting and transmitting vehicle
28 occupancy information. This concept, like the process

1 of collecting, recognizing, and storing data in Content
2 Extraction, is an abstract idea. See 776 F.3d at 1347.

3 b. *Step Two of the Alice/Mayo Inquiry*

4 Having determined that the patent-in-suit is
5 directed at an abstract idea, the Court must determine
6 whether the patent includes "additional features to
7 ensure that the claim[s] [are] more than a drafting
8 effort designed to monopolize the abstract idea."
9 Alice, 134 S. Ct. at 2357 (citation omitted).

10 Defendant argues that the claims of the '101 Patent
11 do not add any material to the abstract idea of
12 communicating vehicle information, as the claims simply
13 recite generic components, such as a "transmitter,"
14 "sending responder," and "reading data collector."
15 Defendant argues that the '101 Patent claims are
16 directed to conventional equipment that is described in
17 purely functional and generic terms.

18 Under the current procedural posture of the case,
19 however, the Court must construe the patent claims in a
20 manner most favorable to Plaintiff. See Content
21 Extraction, 776 F.3d at 1349. Considering only the
22 allegations contained in the pleadings and documents
23 attached to the pleadings for purposes of this Motion,
24 there is no record of the technology described in the
25 '101 Patent being well-known at the time of filing or
26 simply involving performance of "well-understood,
27 routine, and conventional activities commonly used in
28 the industry." See id. at 1348. The '101 Patent

1 provides that "no [current] system . . . provides the
2 means for someone to claim a vehicle occupancy level
3 that can be captured for processing as well as being
4 available for enforcement purposes." '101 Patent at
5 col. 1 ll. 44-47. Thus, on the face of the '101
6 Patent, the claims are directed to a new means for
7 traffic monitoring and for the automatic identification
8 of a vehicle as it passes through a toll gate, which is
9 an improvement on existing systems.

10 "Distinguishing between claims that recite a
11 patent-eligible invention and claims that add too
12 little to a patent-ineligible abstract concept can be
13 difficult, as the line separating the two is not always
14 clear." DDR Holdings, 773 F.3d at 1255. Ultimately,
15 Defendant bears the burden of making clear that
16 Plaintiff's '101 Patent lacks an "inventive concept."
17 At this stage, Defendant has failed to meet that
18 burden.

19 Moreover, the claim construction process will aid
20 the Court in determining how the terms describing the
21 claimed equipment and electronic signaling will be
22 construed. Bancorp Servs., 687 F.3d at 1273-74 ("[I]t
23 will ordinarily be desirable - and often necessary - to
24 resolve claim construction disputes prior to a § 101
25 analysis, for the determination of patent eligibility
26 requires a full understanding of the basic character of
27 the claimed subject matter."); Morsa v. Facebook, Inc.,
28 77 F. Supp. 3d 1007, 1012 (C.D. Cal. 2014) ("[C]laim

1 construction is a prerequisite to the § 101 inquiry
2 'only where claim construction disputes are relevant.'"
3 (citation omitted)). Accordingly, the Court cannot
4 resolve the § 101 analysis before gaining a full
5 understanding of the claimed subject matter during
6 claim construction.

7 c. *Conclusion*

8 For these reasons, Defendant's Motion for Judgment
9 on the Pleadings is **DENIED WITHOUT PREJUDICE**.
10 Defendant is free, however, to challenge the patent
11 eligibility of Plaintiff's '101 Patent at a later stage
12 upon a more complete evidentiary record.

13 2. Motion to Stay Pending IPR

14 a. *Stage of the Litigation*

15 In ruling on the Motion to Stay, the Court first
16 looks to the question of whether the litigation has
17 progressed significantly such that a stay would be
18 disfavored. The status of discovery, claim
19 construction, trial setting, and the overall stage of
20 the case are all considerations bearing on this factor.
21 Convergence Techs. (USA), LLC v. Microloops Corp., No.
22 5:10-CV-02051 EJD, 2012 WL 1232187 (N.D. Cal. Apr. 12,
23 2012).

24 Here, Defendant filed for IPR on May 20, 2016.
25 Given the timing of the petition, a decision from the
26 PTO as to whether it will proceed with IPR is not
27 likely to be issued until late 2016. See 35 U.S.C. §§
28 313, 314(a); 37 C.F.R. § 42.107(b). If the PTO

1 proceeds with IPR, a final determination will likely
2 issue by the end of 2017. See 35 U.S.C. § 316(a)(11);
3 *Changes to Implement Inter Partes Review Proceedings,*
4 *Post-Grant Review Proceedings, and Transitional Program*
5 *for Covered Business Method Patent*, 77 Fed. Reg. at
6 48,695 (Aug. 14, 2012) (codified at 37 C.F.R. §§ 42.100
7 *et seq.*).

8 In the meantime, although the parties have engaged
9 in some discovery, the claim construction process is in
10 its infancy, and the parties have not yet exchanged
11 claim construction briefs. See ECF No. 63 (setting
12 deadline for opening claim construction brief on August
13 19, 2016). Moreover, the Markman hearing is set for
14 September 19, 2016, and discovery will not be complete
15 until October 21, 2016. Accordingly, a stay at this
16 time could potentially conserve the resources of the
17 parties and the Court. On balance, this factor weighs
18 *in favor* of granting a stay.

19 b. *Potential Simplification of the Issues*

20 A stay is favored where "the outcome of the
21 reexamination would be likely to assist the court in
22 determining patent validity and, if the claims were
23 canceled in the reexamination, would eliminate the need
24 to try the infringement issue." Evolutionary
25 Intelligence, LLC v. Apple, Inc., No. C 13-04201 WHA,
26 2014 WL 93954, at *2 (N.D. Cal. Jan. 9, 2014) (citing
27 Slip Track Sys., Inc. v. Metal Lite, Inc., 159 F.3d
28 1337, 1341 (Fed. Cir. 1998)). "A stay may also be

1 granted in order to avoid inconsistent results, obtain
2 guidance from the PTAB, or avoid needless waste of
3 judicial resources." Id. A complete stay of
4 litigation, however, may be unwarranted where the PTO
5 has yet to decide whether to move forward with IPR.
6 Id.

7 Although Defendant argues that IPR could simplify
8 the issues in this case by eliminating the need for
9 trial, reducing claim construction disputes, or
10 minimizing the number of claims the parties need to
11 address, the Court cannot determine whether the issues
12 in the case are likely to be simplified until the PTO
13 determines whether to proceed with IPR. Should the PTO
14 grant the petition, the issues are likely to be
15 simplified. However, denial of the petition would have
16 little to no effect on the litigation. Accordingly,
17 this factor is *neutral* at this time.

18 c. *Undue Prejudice or Clear Tactical*
19 *Disadvantage*

20 The Court next looks to whether Plaintiff would be
21 prejudiced or put at a tactical disadvantage by a stay.
22 Delay alone is not sufficient to establish prejudice.
23 See Convergence Techs., 2012 WL 1232187, at *2.

24 Here, Plaintiff's broad and unsupported allegations
25 of "gamesmanship" and "delay" are not sufficient to
26 demonstrate prejudice as a result of a stay.
27 Plaintiff's arguments regarding the age of the inventor
28 of the '101 Patent are also irrelevant.

1 Although Defendant filed its IPR petition nine
2 months after Plaintiff's Complaint was filed,
3 Defendant's IPR petition was filed within the statutory
4 time limit. 35 U.S.C. § 315(b). Moreover, Defendant
5 justifies its delay by arguing that "it was . . .
6 perfectly reasonable and consistent with [Defendant's]
7 public stewardship obligations for MTA to take a
8 reasonable amount of time to assess the case as it
9 moved forward," and "until April 8, 2016, MTA was
10 litigating this case on two fronts - [Plaintiff] and
11 third party defendant, Atkinson Contractors, LP."
12 Reply re Mot. Stay 2:2-11. Defendant also notes that
13 it did not receive notice of which claims were being
14 asserted until April 1, 2016, when Plaintiff served its
15 Amended Initial Identification of Asserted Claims. Id.
16 at 4:1-3. Defendant then filed its IPR petition as
17 soon as practicable on May 20, 2016.

18 In addition, Plaintiff does not dispute that it is
19 a non-practicing entity which is not a direct
20 competitor of Defendant, a public agency. See
21 Tierravision, Inc. v. Google, Inc., No. 11cv2170 DMS
22 (BGS), 2012 WL 559993, at *3 (S.D. Cal. Feb. 21, 2012)
23 ("Especially where Plaintiff does not practice the
24 patented invention, and is not a competitor of
25 Defendant, the mere fact and the length of any delay in
26 this case does not demonstrate prejudice sufficient to
27 deny Defendant's request for a stay.").

28 For these reasons, Defendant has shown that the

1 imposition of a stay would not cause undue prejudice or
2 tactical disadvantage to Plaintiff. This factor weighs
3 *in favor* of a stay.

4 d. *Conclusion*

5 Based on the three-factor test, two factors weigh
6 in favor of a stay and one factor is neutral. Given
7 the balancing of the various considerations associated
8 with whether to stay the case pending IPR, the Court
9 **GRANTS** a stay.

10 **III. CONCLUSION**

11 For these reasons, the Court **DENIES** the Motion for
12 Judgment on the Pleadings **WITHOUT PREJUDICE**. The Court
13 **GRANTS** the Motion to Stay the proceedings pending the
14 PTAB's decision whether to institute IPR. If the IPR
15 petition is granted, the stay will remain in effect
16 until the PTAB makes its final determination in IPR.

17 **IT IS HEREBY ORDERED** that the parties shall file a
18 joint status report every six months from the date of
19 this order or within 14 days of the PTAB's decision on
20 whether to grant IPR. If IPR is granted, **IT IS FURTHER**
21 **ORDERED** that the parties shall file a joint status
22 report within 14 days of the PTAB's final
23 determination.

24 Defendant's Motion to File Amended Answer [61] is
25 **HEREBY VACATED WITHOUT PREJUDICE**, and may be renewed,
26 if necessary.

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1 The Markman hearing currently set for September 19,
2 2016 [63] is **VACATED**.

3 **IT IS SO ORDERED.**

4
5 DATED: July 22, 2016

s/ RONALD S.W. LEW

6 **HONORABLE RONALD S.W. LEW**
7 Senior U.S. District Judge
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